

Message Text

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ACTION AF-18

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FM USMISSION EC BRUSSELS

TO AMEMBASSY KIGALI

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STATE FOR AF/C

E.O. 11652: N/A

TAGS: EGEN

SUBJECT: WERTHEIM TEA INVESTMENT PROPOSAL -- RWANDA

REF: KIGALI 280

1. SUMMARY. THE FED HAS SERIOUS RESERVATIONS ABOUT THE WERTHEIM TEA INVESTMENT PROPOSAL, PRIMARILY BECAUSE IT INVOLVES AN OPTION TO MARKET THE ENTIRE RWANDAN TEA CROP. RWANDAN OFFICIALS HAVE BEEN TOLD BY THE FED THAT IF A CONTRACT IS SIGNED WITH WERTHEIM ON SUCH TERMS, THE FED WILL WITHDRAW FROM PARTICIPATION IN TEA SECTOR PROJECTS IN RWANDA. END SUMMARY.

2. A MISSION OFFICER HAS DISCUSSED THE WERTHEIM INVESTMENT PROPOSAL WITH FREDERICK VISSIR, RESPONSIBLE FOR RWANDAN PROJECTS AT THE FED (AMBASSADOR FRITTS MET VISSIR DURING HIS RECENT STOPOVER IN BRUSSELS). VISSIR, WHO WAS WELL BRIEFED ON THE PROPOSAL, INDICATED THAT NEITHER THE FACT THAT WERTHEIM IS A NON-EC
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COMPANY NOR THE PRESENT CONCENTRATION OF FED PROJECTS

IN PLANTATION DEVELOPMENT WOULD AUTOMATICALLY EXCLUDE POSSIBLE FED PARTICIPATION IN THE WERTHEIM PROJECT. NEVERTHELESS, THE FED DOES HAVE SERIOUS RESERVATIONS ABOUT THAT PROJECT.

3. VISSIR EXPLAINED THAT THE FED'S PRIMARY CONCERN IS WITH THE TERMS OF THE LETTER OF INTENT (L/I) SIGNED BY WERTHEIM AND THE GOVERNMENT OF RWANDA ON MARCH 10. VISSIR SHOWED A MISSION OFFICER A COPY OF THE L/I AND STATED THAT WITH A RELATIVELY SMALL INVESTMENT IN THE SALES COMPANY, AND AN UNCLEAR COMMITMENT, UNDER ARTICLE 3 OF THE LETTER OF INTENT, VIS-A-VIS THE FACTORY BEYOND USING THE BEST OFFICES OF THE COMPANY IN ARRANGING FINANCING, WERTHEIM WOULD OBTAIN THE RIGHT NOT ONLY TO THE PRODUCTION OF THIS TEA FACTORY AND THE OUTPUT OF SURROUNDING SMALL FARMS, BUT AN OPTION ON ALL THE TEA PRODUCTION IN RWANDA (ARTICLE 9, LETTER OF INTENT). FROM THIS POTENTIALLY MONOPSONISTIC POSITION, WERTHEIM WOULD THEN BE IN A POSITION TO CONTROL THE PRICE PAID TO ALL RWANDAN PRODUCERS FOR THEIR TEA. VISSIR IS FIRMLY CONVINCED THAT RWANDA IS BETTER OFF UNDER ARRANGEMENTS WHERE OCIR TEA DEPARTMENT SELLS THROUGH VARIOUS LONDON TEA BROKERS.

4. VISSIR SAID THAT THE RWANDAN GOVERNMENT IS PRESENTLY ALSO SEEKING FED FUNDS TO COVER A FINANCING SHORT-FALL IN A GERMAN- BACKED TEA FACTORY PROPOSED FOR ANOTHER SITE IN RWANDA. DURING MEETINGS WITH THE RWANDAN DIRECTOR GENERAL FOR AGRICULTURE APRIL 30 (RABANJE WAS ALSO PRESENT) ON THE GERMAN PROJECT, THE FED'S RESERVATIONS WITH REGARD TO THE WERTHEIM PROPOSAL WERE DISCUSSED. THE FED MADE CLEAR THAT IF THE WERTHEIM PROPOSAL IN ITS PRESENT FORM WAS CONVERTED INTO A CONTRACT, THE FED WOULD NO LONGER BE PREPARED TO PARTICIPATE IN PROJECTS IN THE TEA SECTOR. VISSIR CLAIMS THYXSZS POINT, ALBEIT IN MORE DIPLOMATIC LANGUAGE, WAS INCLUDED IN A PROTOCOL SIGNED BY THE FED AND THE DIRGEN FOR AGRICULTURE.

5. ON SEVERAL OCCASIONS DURING OUR CONVERSATION WITH LIMITED OFFICIAL USE

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VISSIR, HE REPEATED THAT HIS PRIMARY CONCERN WAS WITH THE WERTHEIM OPTION TO BUY UP THE ENTIRE RWANDAN TEA CROP. HE ALSO THOUGHT THAT THE TWO TIER INVESTMENT PROPOSED BY WERTHEIM WAS A BIT COMPLICATED FOR THE RWANDANS TO UNDERSTAND. NEVERTHELESS, HE STATED THAT IF WERTHEIM CLAIMS ON THE TEA CROP WERE LIMITED TO THE PRODUCTION OF ITS PROJECTED FACTORY AND THE SURROUNDING AREA, THE FED WOULD NOT OBJECT TO THE PROPOSAL. VISSIR WOULD MAKE NO

COMMITMENT ABOUT POSSIBLE FED PARTICIPATION, EVEN WERE
THE ABOVE CONDITIONS MET. HE HELD OUT LITTLE HOPE
FOR USING THE FUNDS REMAINING UNDER THE THIRD FED,
WHICH HE INDICATED WERE "COMMITTED" TO OTHER PROJECTS.
(COMMENT: PERHAPS INCLUDING THE GERMAN TEA FACTORY.)
VISSIR DID ADD, HOWEVER, THAT ADDITIONAL FUNDS WOULD
BE AVAILABLE UNDER THE FOURTH FED NOW BEING NEGOTIATED.
HE ACKNOWLEDGED, HOWEVER, THAT THESE FUNDS MIGHT NOT
BE AVAILABLE FOR A YEAR OR MORE. GREENWALD

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